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#### ARTICLES:

- (1) How will Japan respond to maritime interdictions?

SANKEI (Page 2) (Full)  
October 11, 2006

In the wake of North Korea's recent proclamation of its nuclear

test, Japan's response over the advisability of inspecting ships to and from North Korea is now being floated as an issue at point. That is because the United States is insisting on the necessity of maritime intercept operations (MIO) in order to impose sanctions on North Korea. However, Japan is shackled with its legal constraints. The government therefore deems it difficult for Japan to take part in such maritime interdictions. Meanwhile, North Korea is presumably in a hurry to miniaturize nuclear warheads. Given such a situation, there is no time to lose in shielding Japan with a missile defense (MD) system.

"There's no choice but to take action within the bounds of our country's laws, but the government has taken steps to control the flow of goods and money." With this, Prime Minister Shinzo Abe, sitting yesterday on the House of Representatives Budget Committee, indicated that it would be difficult for Japan to raid and search North Korean ships.

The Ship Inspection Operations Law-which stipulates legal grounds for Japan to inspect foreign vessels on the high seas-allows Japan to inspect ships on the high seas if and when the government recognizes a contingency in the neighborhood of Japan. In that event, the Maritime Self-Defense Force is allowed under the law to inspect ships in international waters near North Korea and back up US naval vessels inspecting ships at sea.

The law provides that Japan may inspect foreign vessels at sea with consent obtained from the United Nations Security Council or otherwise from the governments of their countries. The United States has shown to the UNSC members its draft of a sanctions resolution, including inspecting all vessels to and from North Korea. If the UNSC adopts this draft resolution, the United States will likely ask Japan to carry out ship inspections.

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Even if North Korea's nuclear test is acknowledged as a contingency in the periphery of Japan, the government will have to make a cabinet decision on a masterplan incorporating ship inspection, rear-echelon support, and other measures.

In point of fact, however, "situations in areas surrounding Japan are supposed to be synonymous with conflicts on the Korean Peninsula," a Foreign Ministry source notes. "It's considerably risky to recognize an underground nuclear test as a contingency in the neighborhood of Japan," another government source also says. "Japan is not thinking of going so far as to carry out maritime interdictions," Foreign Minister Taro Aso stressed in his recent press remarks. His remarks were in line with these views.

If the UNSC adopted the US draft of a sanctions resolution, and if the United States asked Japan for cooperation, Tokyo would like to obtain Washington's understanding by explaining Japan's circumstances and invoking sanctions other than maritime interdictions. From the start, the legal term "situations in areas surrounding Japan" is defined as "situations that will have an important influence on Japan's peace and security." This definition, however, is vague in its meaning and makes the government's decision-making difficult.

If North Korea was really successful in its nuclear test, that is truly a matter of life or death for Japan. For the rest, North Korea has only to miniaturize its nuclear bombs and payload its ballistic missiles with miniaturized nuclear bombs to complete nuclear missiles.

There is no guarantee that North Korea will not use nuclear bombs. Suppose Japan comes under attack from North Korea with its nuclear-warheaded Rodong missiles. Such a worst-case scenario is no longer a fiction.

"Generally speaking, we need considerably high technologies to miniaturize a nuclear bomb and load a missile with that bomb as a warhead. We've yet to find out that they have established such technologies." With this, Defense Agency Director General Fumio Kyuma indicated before the House of Representatives Budget Committee

in its meeting yesterday that it would still take North Korea some time to develop weapons-grade nuclear bombs. However, he also expressed alarm, saying, "We must remain careful."

Is there any means for Japan to defend itself against nuclear missiles? "As of today, Japan can do nothing on its own," a senior official of the Defense Agency said deprecatingly.

One conceivable countermeasure against ballistic missiles is to build an MD system. The Defense Agency plans to deploy Patriot Advanced Capability 3 (PAC-3) missiles to the Air Self-Defense Force's Iruma base in Saitama Prefecture by March next year.

Japan will defend its metropolitan area with the deployment of this intercept missile system as Japan's first ever antimissile system. "The defensive range of a PAC-3 battery covers a radius of several dozen kilometers," says an ASDF officer. This officer added, "If we deploy two PAC-3 batteries on the outskirts of Tokyo, it's well possible to defend Tokyo's 23 wards." The US military is also beginning to deploy PAC-3 batteries to its Kadena airbase in Okinawa Prefecture, and they will go operational within the year.

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The USS Shiloh, an Aegis-equipped cruiser of the US Navy, is loaded with the Standard Missile 3 (SM-3) as a sea-based MD system. In late August, the cruiser arrived at Yokosuka for deployment. The MSDF is also planning to mount SM-3 missiles on its Aegis destroyers by the end of next fiscal year.

US Forces Japan and the Self-Defense Forces have role-sharing scenarios for their bilateral defense planning in anticipation of North Korea's missile launches, according to a senior official of the Defense Agency. It is critical to ensure the Japan-US alliance and its effectiveness in order to cope with North Korea's nuclear missiles.

(2) Shock waves of North Korea's nuclear test (Part 1): US weak spot hit -- "double standard" of looking kindly at "nuclear club," such as India, Pakistan

MAINICHI (Page 1) (Full)  
October 11, 2006

North Korea has set off an underground nuclear test, but did it do so out of desperation, prepared to face the sanctions that would follow? Will the international community now recognize North Korea as a nuclear power? What is America's strategy? We examine in this series how the nuclear issue may now unfold.

"Do they really think we will now accept North Korea as a nuclear power and respond to it with disarmament talks?" US Assistant Secretary of State Christopher Hill, the chief negotiator to the

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six-party talks, asked angrily after Pyongyang test detonated a nuclear bomb. "The DPRK will never be allowed to join the nuclear club, Hill said firmly, adding, "We'll let it realize fully how high a price it will have to pay for (setting off a nuclear blast)." It is questionable, however, whether America has the guts to substantiate its words toward North Korea in its policy.

The nuclear club is under America's control. North Korea, once named by the US as a rogue state, has now become a nuclear power. This leaves Middle Eastern countries including Iran with the impression that the US indeed lacks a viable proliferation policy.

North Korea had been suspected of developing nuclear weapons since the 1980s. The Korean Workers' Party in its Rodong Sinmun edition yesterday, the day marking the 61st anniversary of its foundation, tooted its own horn: "Our revolutionary armed force prepared everything."

North Korea justified the test as a means to "denuclearize the Korean Peninsula," but that is nonsense in outsiders' eyes.

Making the peninsula a nuclear free one is publicized as "the last instruction given by the late President Kim Il Sung and the firm will of General Secretary Kim Jong Il." But that idea has been with the preconditions: "removal of the threat of US nuclear attacks" and "normalization of diplomatic ties with the US."

Incidentally, however, in China, there is a deep-seated view allowing North Korea to possess nuclear weapons. Shen Dingli, a political scientist at Fudan University, said: "Can you assert that America's possession of nuclear weapons is a good thing?" This remark gives a glimpse of rivalry with the superpower US.

The six-party talks on the North Korean nuclear issue continued

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until last November. During the discussions, Japan, the US, and South Korea frequently failed to move in tandem. Japan prioritized the abduction issue, South Korea tended to be protective toward North Korea, and the US remained tough. The North, taking advantage of this difference in attitude, eventually stalled the talks.

Analysts think that North Korea may have followed in the footsteps of Pakistan, which set off a nuclear test in 1998. Pakistan suffered for its nuclear explosion when the international community imposed economic sanctions, but after the 9/11 terrorist attacks in the US, Washington lifted the sanctions in view of the strategic importance of Pakistan as a partner in fighting the war on terror. Pakistan rejoined the international community as a new nuclear power.

This summer the US reached a basic agreement with India to provide nuclear technical assistance for peaceful purposes, though that country is a nuclear power that has not yet signed the Nuclear Non-proliferation Treaty (NPT). This new development has undermined the NPT system that aims to stop countries other than the US, Britain, France, China, and Russia from going nuclear. The decision highlighted America's double standard, as evidenced by its soft treatment of Pakistan and India, showing that the US shifts its attitude depending on whether the country is viewed as an enemy or friend. It is thus no wonder that Pyongyang took advantage of that contradiction in setting its sights on becoming a future nuclear power.

In 1993, North Korea declared it would withdraw from the NPT, and this move set off the first nuclear crisis in 1994. Pyongyang succeeded in holding a one-on-one dialogue with the US. In January 2003, Pyongyang again declared it would withdraw from the NPT, and in February 2005 it announced its possession of nuclear arms. On the heels of firing Taepodong missiles in this July and conducting a nuclear test just recently, Pyongyang is triggering a second nuclear crisis. The North Koreans appear to be cleverly using the US-led NPT system against it. But whether the North can get membership in the nuclear club depends on what policy the US will form toward it in the months ahead.

(3) Shock waves from North Korea's nuclear test (Part 2): Bush administration under fire even in nation over hard-line stance

MAINICHI (Page 2) (Full)  
October 12, 2006

In defiance of strong international demands, North Korea has conducted an underground nuclear test. Following this development, the Bush administration in the United States has come under heavy fire for its tough stance toward the North.

A former US official familiar with the negotiations between Washington and Pyongyang lashed out at the Bush administration for its rejection of direct negotiations with the "rogue state": "The nuclear test proves that the Bush administration's policy toward North Korea is a failure. The administration should have understood that the problem can only be settled by negotiations."

This is not the first time for such criticism to be vented. When North Korea's alleged production of highly-enriched uranium was disclosed in 2002, a former US State Department official warned, "The nuclear issue will never be resolved as long as the US

continues to turn the other cheek or refuse negotiations."

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The Bush administration has engaged in talks with North Korea only under the framework of six-party talks on the North's nuclear problem,

On Nov. 11 of last year, North Korea withdrew from the six-party talks in reaction to Washington's financial sanctions. When the Bush administration was inaugurated in 2001, North Korea possessed plutonium for only one or two nuclear bombs. But US intelligence now estimates that the DPRK now has enough plutonium to build about 10 bombs.

Senior researcher Mitchell at the Center for Strategic and International Studies (CSIS) in Washington said, "The Bush administration should have shown some flexibility in its policy toward North Korea." The recent nuclear test must be a nightmare for the US, which places emphasis on preventing the proliferation of weapons of mass destruction. A growing number of observers are now questioning the Bush administration's rejection of direct talks with North Korea, even in face of a critical issue in terms of national security, that is, a nuclear threat.

In Japan, former Defense Agency Director General Shigeru Ishiba expressed his concern about possible reckless moves by Pyongyang should it be driven into a corner by US economic sanctions. He said, "If war breaks out, Japan will inevitably be involved." If military tensions run high between the US and North Korea, the impact on Japan would be unfathomable. "We must consider it as a possibility that the US will respond to bilateral talks with North Korea," Ishiba said, but under the current situation, Japan cannot easily suggest to the US that it enter into bilateral negotiations with the North.

Former South Korean President Kim Dae Jung, who promoted a policy of reconciliation with the North, exchanged views with President Roh Moo Hyun on Oct. 10 and stressed the need for dialogue between the US and North Korea. His suggestion represents the South Korean government's longtime dissatisfaction with the Bush administration's approach.

But the US government apparently has no intention for now of reviewing its strategy toward North Korea. In a press conference on Oct. 10, White House Spokesman Snow reiterated that the government would continue the same policy line.

CSIS' Mitchell said, "During the remaining two years of its term, the Bush administration can be expected to heighten its efforts to drive North Korea further into isolation through expanded cooperation with the remaining five members of the six-party talks and other countries."

The view shared by experts is that North Korea, now prepared for "isolation," has mapped out a long-term strategy to become a nuclear power. The final goal of that strategy is to have the US sit down at the negotiating table to solicit a pledge guaranteeing the survival of the regime led by Kim Jong Il.

In direct talks with North Korea (in October 1994), the US agreed to provide the North of two light-water reactors in exchange for Pyongyang's suspension of its nuclear development program. Pyongyang took this agreement as a major victory in its negotiations with the US. The agreement was abrogated when allegations that North Korea was engaged in a secret nuclear program emerged in 2002. But some observers, keeping the agreement in mind, speculate that the North

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might be hoping to hold similar negotiations again.

The series of moves by North Korea starting with the missile launches in July indicates, in a sense, the North's desire to draw the US into nuclear disarmament negotiations this time, instead of

those on scrapping its nuclear weapons program.

Although the Bush administration has categorically said there will be no policy switch, it may find itself facing a real nuclear and missile threat in the near future.

(4) New prime ministerial secretaries enjoy deep confidence of Abe

NIHON KEIZAI (Page 5) (Almost full)  
Evening, October 11, 2006

With the inauguration of the cabinet of Prime Minister Shinzo Abe, all five prime ministerial secretaries were replaced. A noncareer bureaucrat, who enjoys the confidence of Abe, was picked as secretary for political affairs. Four career officials from the

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Ministry of Finance (MOF), the Ministry of Foreign Affairs (MOFA), the Ministry of Economy, Trade and Industry (METI), and the National Police Agency (NPA) were chosen as secretaries for administrative affairs, as before. All five secretaries have close relationships with Abe. Since Abe is ready to go up against the bureaucracy in order to accelerate his reform drive, the four secretaries will likely find themselves on the horns of a dilemma.

"Cheers!" On the night of Sept. 29, three days after the launching of the Abe government, the prime minister and his five secretaries got together at a Japanese restaurant in Tokyo. When Abe started drinking Oolong tea, the five drank up their glasses of beer without hesitating.

Unprecedented appointment of Yoshiyuki Inoue as chief secretary

Yoshiyuki Inoue, 43, was appointed as secretary for political affairs. Inoue found a job in the now defunct Prime Minister's Office (currently the Cabinet Office) in 1988, after working for Japan National Railway (JNR) until it was privatized. He served as administrative secretary to then Deputy Chief Cabinet Secretary Abe from July 2000 to September 2003. He was named secretary for political affairs to then Chief Cabinet Secretary Abe in November 2005. It is unprecedented for a noncareer bureaucrat to be appointed to the post of chief secretary to the prime minister.

He gave up on attending a university for family reasons. After graduating from high school in 1981, he worked at JNR as an engine driver for the Shinkansen bullet train. He graduated from the economics department of Nihon University through correspondence courses. He was placed in charge of reform of public interest corporations and the project of constructing a new official residence (Kantei). He also worked at the abduction issue liaison office in the Cabinet Secretariat. Abe praised him, saying, "He works for me and for the country wherever and whenever he can. He is a reliable person."

Kazuho Tanaka, MOF official, has personal ties with many ruling party lawmakers

Kazuho Tanaka, 51, a Ministry of Finance official, entered MOF in 1979, worked at the Budget Bureau, Financial Bureau, and Secretariat Division. He also served as budget examiner for the Ministry of

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Health, Labor and Welfare. The point of contact between Tanaka and Abe was the health and welfare policy clique in the Liberal Democratic Party. Since he has personal ties with many ruling Diet members, he will be a key person in dealing with social security reform.

Shigeru Kitamura, NPA official, handled North Korea's abduction issue

Shigeru Kitamura, 49, joined the National Police Agency in 1980, was in charge of the abduction issue as director of the NPA Foreign Affairs Division after serving as Tokushima Prefectural Police head and NPA's Security Division chief. He reportedly gave helpful information to Abe, when he was on the Liberal Democratic Party's

taskforce for the abduction Issue and was chief cabinet secretary.

Hajime Hayashi, MOFA official, favorite of Vice Minister Yachi

Hajime Hayashi, 48, entered the Foreign Ministry in 1982, serving in the North American Affairs Bureau and the Treaties Bureau. He is believed to be a favorite of Administrative Vice Minister Shotaro Yachi, who is close to Abe.

Takaya Imai, METI official, worked at major bureaus, including the Manufacturing Industries Bureau

Takaya Imai, 48, entered the Ministry of International Trade and Industry (MITI, which is now METI) in 1982. He is a nephew of Takashi Imai, honorary chairman of Nippon Steel, who chairs the study group of business leaders supporting Abe. He has handled such major issues as industrial policy and energy strategy. Since he assumed his current secretarial post, he has devoted himself to preparing Diet replies for Abe, working regularly until around 2:00 a.m.

The five secretaries serve as liaison bridges between the Kantei and government offices. However, under the Abe administration, they have to coordinate views also with special advisors to the prime minister. It is certain that their duties will increase as Abe intends to strengthen the Kantei-led management.

(5) Japan, China agree on closer cooperation in energy saving, environmental protection

NIHON KEIZAI (Page 5) (Full)  
October 9, 2006

In their joint news statement, Prime Minister Shinzo Abe and Chinese President Hu Jintao stressed the need to deepen cooperative relations in such areas as energy, environmental protection, financial services, information-communication technology, and protection of intellectual property rights. In order to keep a lid on possible trade friction as a result of economic relations becoming closer between Japan and China as a rising power, it is now imperative for the two governments to strengthen their cooperative setup. The statement noted, "The two countries will push ahead with talks at such levels as cabinet ministers and officials concerned, as well as dialogue between the public and private sectors."

The Japanese and Chinese leaders cited energy as the sector in which the two countries strengthen cooperation for mutual benefits on a priority basis. China has become the second largest energy-consuming country, following the United States. Should China continue to use

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oil at the current pace, the security of Japan's procurement will be undermined. Keeping such a possibility in mind, the government has decided to help China to reduce its energy consumption.

In the energy-saving area, the two countries have already started efforts to upgrade cooperative relations, including the holding of an international conference in May bringing together representatives from both the public and private sectors of the two countries. China's energy efficiency is said to be only one-10th of Japan's. The Ministry of Economy, Trade and Industry intends to offer cooperation for China to improve its energy efficiency by offering advice on fuel efficiency standards for autos and energy-saving management of plants.

As for development of alternative energy resources, the ministry will help China to effectively use coal. China uses coal for about 70% of total primary energy consumption. Japan also plans to transfer its technology to liquefy coal at high temperatures or pressures and produce gasoline and other products. A plan to commercialize it in 2010 is also underway, and Japan hopes to grow it into a large-scale cooperative project.

Since China is the largest producer of SO<sub>2</sub>, Japan might be seriously affected by acid rain. In the environment area, Japan plans to offer assistance to China on its policies and technologies to overcome

public environmental hazard, based on its experience.

Infringements by Chinese companies of Japan's intellectual property rights, such as technologies and trademarks, are likely to stand in the way of good bilateral economic ties. The Japanese government is willing to work on China to establish a rigid intellectual property-protection system, as well as to provide know-how to prevent Chinese firms from exporting fake brand-name products at the water's edge.

(6) Trend away from bid-rigging part 3: Surcharge leniency system is bringing about self-cleansing

NIHON KEIZAI (Page 13) (Abridged slightly)  
September 23, 2006

Mitsubishi Heavy Industries was the first company that was eligible for the leniency system. The company voluntarily reported its involvement in bid-rigging over a project to install tunnel ventilators sponsored by the former Metropolitan Expressway Public Corporation (now Metropolitan Expressway Company Ltd.). Senior Managing Director Hideo Egawa, who reported at the company's board meeting his decision to report the company's involvement in bid-rigging activities to the Fair Trade Commission (FTC), made this remark: "There were no arguments. No one opposed the idea."

Morale remain dampened

Being made the target of investigations many times over suspicion of violating the Antimonopoly Law, Mitsubishi Heavy Industries has been pointedly criticized as a regular participant in bid-rigging activities. A source connected with the company said, "Our employees are proud that their company launches rockets, but their morale was dampened when their company was called a bid-rigging company."

The Tokyo High Public Prosecutors Office last May embarked on a forcible investigation into a bid-rigging case over the construction of a bridge. They arrested the then deputy manager of the Bridge

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Construction Department of Mitsubishi Heavy Industries. Following the incident, the company in August the same year set up an order-intake rationalization committee chaired by Senior Managing Director Egawa. The panel scrutinized all business sections and found that bid-rigging was carried out over the construction of tunnel facilities.

After determining that bid-rigging was actually carried out, public prosecutors late last fall got hold of what actually happened through repeated hearings of the circumstances by attorneys. At that time, the details of a surcharge reduction system, which was to become one of the showcases of the revised Antimonopoly Law to be implemented early in the next year, were beginning to become known. The company decided to exploit this system, but Egawa remained reticent about the issue, simply saying, "It was a natural course of action."

A source familiar with the internal affairs of the FTC said, "In order to demonstrate the revised Antimonopoly Law, too, public prosecutors wanted a leading company as the target of the first application of the leniency system." The FTC received a tip on bid-rigging over the construction of tunnel facilities in perfect harmony between public prosecutors and Mitsubishi Heavy Industries, which wanted to apply for the application of the leniency system.

The FTC charged five companies with bid-rigging over the construction of tunnel facilities. Of the five, Mitsubishi Heavy Industries, which first admitted to unfair trade practices, was exempted from paying surcharges. Ishikawajima-Harima Heavy Industries and Kawasaki Heavy Industries, which did so after they were subjected to raids by public prosecutors, were eligible for a 30% reduction. Hitachi did not admit to unfair trade practices, since it was not aware that it was practicing bid-rigging." Ebara Corporation did so, but failed to become one of three applicants eligible for the application of the leniency system. Surcharges they paid totaled 1.097 billion yen.



## Voluntary restraint on "sweat-expending" rule

A series of crackdowns on bid-rigging practices and the enforcement of the revised Antimonopoly Law have changed business practices in the plant-construction industry. For instance, the industry had a so-called sweat-expending rule, which determined successful bidders, based on to what extent bidders contributed to project sponsors, such as local governments and consulting companies, through prior cooperation for design.

Power distribution is changing in the bridge construction field not only because a number of companies pulled out of this business or curtailed participation in it, but also because an open public bidding system is restoring its functions. Yokokawa Bridge has received orders for the construction of three bridges in Nagasaki since this spring. An executive of the company stressed the changes occurred: "Until now, Nagasaki has been the stronghold of Mitsubishi Heavy Industries, which has a shipbuilding yard. We have had no room to take part, but..."

Companies are complaining: "The rate of a contract price to an estimated price is above the 60% level in most projects. This is indeed difficult." Another wave of the selecting out and reorganization of companies is about to come.

(7) JCP chief, other opposition leaders determined to win Okinawa

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election, stop new base

AKAHATA (Page 1) (Full)  
October 12, 2006

A rally was held in Tokyo yesterday evening to encourage Keiko Itokazu, who will run in Okinawa Prefecture's Nov. 19 gubernatorial election, in which the question of whether to allow the US military to have a new base built in the island prefecture will be the biggest issue. The event was held with the participation of Kazuo Shii, chairman of the Presidium of the Japanese Communist Party, Yukio Hatoyama, secretary general of the Democratic Party of Japan (Minshuto), Mizuho Fukushima, president of the Social Democratic Party (Shaminto), and Yasuo Tanaka, representative of the New Party Nippon (Shinto Nippon). There were also many Dietmembers, labor union representatives, and citizens. They vowed to band together and win the election.

"The campaign issue is whether we should let them build a new military base," Shii said in his encouragement of Itokazu. "The election is very important not only for the people of Okinawa Prefecture but also for the future of Japan," Shii stressed. He added: "Our five parties will enter into a sound policy agreement to aim for an Okinawa with no military bases, and we will never let them build any new base. We're now ready to struggle together. We will solidify this stance. I'm sure we can win if we deliver our voice to the population of Okinawa Prefecture. The Japanese Communist Party will do its best."

At the same time, Shii emphasized: "If she wins, we can stop the realignment of US forces in Japan. So the other side is also desperate. Let us also struggle hard to back her up, and let us win without fail."

Hatoyama criticized the government's plan to build a new base in a coastal area of Camp Schwab as "deceitful." He stated that the DPJ would do its best to win the election.

Fukushima stressed, "Let us win back the prefecture's governorship for the first time in eight years, and let us change Japanese politics from Okinawa."

Itokazu, appearing last, expressed her determination, and she criticized Governor Inamine who remains unable to show any clear-cut attitude although 75% of Okinawa Prefecture's people are opposed to building a new military base with a V-shaped pair of airstrips in Camp Schwab's coastal area. "The government has forced 75% of all US

military bases (in Japan) on the people of Okinawa Prefecture, and the Constitution-guaranteed right to live has been trampled," Itokazu said, adding: "We will not let them build any more bases, and we will not let them leave the bases as the negative legacy for another 50 years or 100 years. So I made up my mind to run." She concluded, "Backed by the voice of Okinawa Prefecture's people, I want to struggle against the Japanese and US governments."

SCHIEFFER